



Department of Justice

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**BOWLING GREEN MAN AND WOMAN INDICTED FOR CONSPIRACY TO
DEFRAUD THE INTERNAL REVENUE SERVICE**

-- Previously indicted for arson, mail fraud, illegal gambling, and money laundering --

-- VFW Commander allegedly used Post 1298 for illegal activities --

BOWLING GREEN, KY - A federal grand jury in Bowling Green returned a superseding indictment against Donald Mudd, age 65, and Martha Towe, age 53, of Bowling Green, Kentucky, Warren County, on charges of conspiracy to defraud the Internal Revenue Service, U.S. Attorney David L. Huber of the Western District of Kentucky announced today. They were previously indicted on numerous other charges, including operating an illegal gambling business, money laundering, illegal structuring of monetary transactions, mail fraud, and arson.

The Superseding Indictment alleges that from in or about January 1, 1999, through December 31, 2004, Mudd and Towe conspired to defraud the Internal Revenue Service by concealing their income. The Superseding Indictment alleges that they concealed income by structuring numerous transactions. More specifically, they attempted to conceal cash transactions over \$10,000 in the order to avoid the filing of currency transaction reports with the Internal Revenue Service.

It is a federal criminal offense under 31 U.S.C. § 5312(a)(2) to "structure" financial transactions. A "structured" financial transaction is one in which an individual attempts to avoid federal currency transaction reporting requirements (\$10,000) under 31 C.F.R. § 103.22 by using

multiple transactions under \$10,000. This regulation requires financial institutions, such as banks, to file a currency transaction report with the federal government when an individual engages in a transaction, or related transactions, involving more than \$10,000 in currency.

The Superseding Indictment identifies multiple transactions in which the defendant attempted to use cashier's checks, teller checks, official checks, and cash payments to avoid causing banks to file currency transaction reports with the Internal Revenue Service. For example, on repeated occasions both Mudd and Towe paid a contractor for construction of their residence at 600 Fairway Street in Bowling Green, Kentucky, through structured transactions. Mudd and Towe were able to purchase this nearly \$300,000 home with a series of these structured transactions. In addition, Mudd and Towe purchased a number of vehicles, including a 2002 Mercedes convertible, a 2002 Chevrolet Silverado truck, a 2003 Toyota Camry, a 2003 Chevrolet S-10 truck, and a 2004 Harley-Davidson motorcycle, by structuring the payment of the purchase price. Finally, Towe bought into her Kentucky Retirement System benefits plan with structured transactions. The Superseding Indictment alleges that they structured all of these transactions in order to conceal income from the Internal Revenue Service.

In addition to the new tax charge, the Superseding Indictment still charges that from on or about at least January 1, 2000, and continuing up to and including August 13, 2003, Mudd and Towe operated an illegal gambling business in Warren County, Kentucky, and conspired with each other to launder funds derived from that illegal gambling business. Mudd is the Commander of Post 1298 for the Veterans of Foreign Wars of the United States, which is located in Bowling Green, Kentucky. Post 1298 for the Veterans of Foreign Wars of the United States is a registered 501(c)(3) organization and permitted by Kentucky law to operate charitable gaming. The indictment charges that Mudd and Towe managed semiweekly charitable gaming activities at the VFW Post 1298 at which players participated in bingo games and pull tabs. During the

operation of legal charitable gaming activities, Mudd and Towe offered pull tab games to the players that were for the defendants' personal benefit, rather than for the benefit of the VFW Post 1298, as is required by Kentucky's charitable gaming law Kentucky Revised Statute 238.536, which provides that no net receipts shall inure to the benefit or financial gain of an individual.

Throughout this time, according to the Indictment, Mudd also owned and operated video slot machines at the VFW Post 1298. The video slot machines, like the pull tab games described above, were for the benefit of himself and Towe. The operation of video slot machines violates Kentucky Revised Statute 528.020.

The Superseding Indictment further charges that Towe and Mudd conspired to conceal the proceeds of the illegal gambling activity. Specifically, the indictment charges that Towe and Mudd committed money laundering by structuring multiple financial transactions for the purpose of evading cash reporting requirements.

The Superseding Indictment also charges that on or about August 13, 2006, Mudd burned down the VFW Post 1298 in Bowling Green, Kentucky.

Finally, the Superseding Indictment charges Mudd with devising a scheme to defraud an insurance company by providing false and fraudulent representations regarding the fire at the VFW Post 1298 in Bowling Green, Kentucky. According to the Indictment, on October 27, 2003, Mudd certified on a sworn statement in proof of loss for \$246,688.00 that "the said loss did not originate by any act, design or procurement on the part of your insured, or this affiant". In fact, the Indictment charges Mudd, the affiant, with being responsible for the fire that caused the loss to the VFW Post 1298. Relying upon the false certification by Mudd, Westport Insurance Corporation issued a check in the amount of \$246,688.00 payable to "LT HAROLD R. CORNWELL VFW POST #1298".

The Superseding Indictment further charges Mudd with defrauding the V.F.W. Post

1298. According to the Superseding Indictment, Mudd caused a claim for loss reimbursement to be submitted seeking reimbursement for losses caused by business interruption resulting from the fire. In fact, according to the Indictment, Mudd diverted the insurance proceeds for his personal benefit. Relying upon the false certification by Mudd and the representation that the money was intended for use by the V.F.W. Post #1298, Westport Insurance Corporation issued a check in the amount of \$16,822.16 payable to "LT HAROLD R. CORNWELL VFW POST #1298".

The Superseding Indictment charges that Mudd diverted this money for his personal benefit. According to the Indictment, Mudd opened a bank account in the name of "Lt. Harold R. Cornwell Post Special Account." At that time, Mudd deposited the \$16,822.16 check payable to "LT HAROLD R. CORNWELL VFW POST #1298" from Westport Insurance Corporation. On February 17, 2005, Mudd diverted \$2,499.00 by purchasing, for his personal benefit, a John Deere riding lawn mower. On March 26, 2005, Mudd used \$1,450.00 from the "Lt. Harold R. Cornwell Post Special Account" to purchase a Browning gun safe. And, on November 22, 2005, Mudd spent \$3,062.99 from the "Lt. Harold R. Cornwell Post Special Account" on a 42-inch plasma television.

In the event of a conviction, the maximum potential penalties are 30 years imprisonment, a \$ 1,000,000, fine, and supervised release for a period of 6 years.

The case is being prosecuted by Assistant United States Attorney Bryan R. Calhoun, and it was investigated by the Bowling Green Field Office of the Bureau of Alcohol, Tobacco, and Firearms and the Internal Revenue Service, Criminal Investigations.

Both defendants are scheduled to appear for arraignment before the United States Magistrate Judge on June 20, at 9:30 a.m., in Bowling Green, Kentucky.

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The indictment of a person by a Grand Jury is an accusation only and that person is presumed innocent until and unless proven guilty.

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